

INTERVIEW

Robert Whaples

Editor's Note: This is an abbreviated version of RF's conversation with Robert Whaples. For the full interview, go to our Web site: www.richmondfed.org

Economists are sometimes accused of being more interested in high theory than in explaining real-world events. This may be correct in select cases, but it's questionable as a general proposition. And when it comes to economic historians, the opposite is probably closer to the truth. Their research seeks to explain how and why things developed over time, and to do so they employ the tools not only of modern economics but also of many related disciplines.

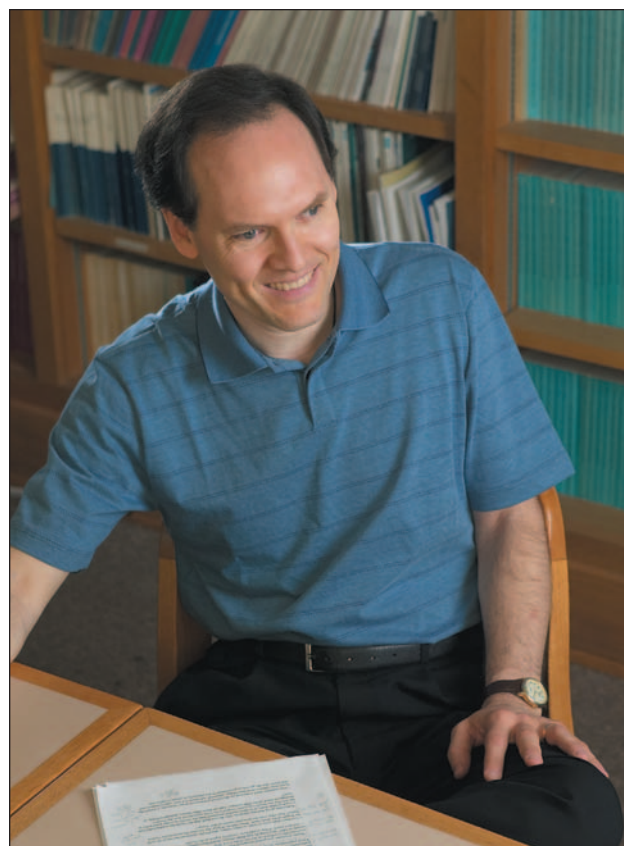
Economic historian Robert Whaples of Wake Forest University is no exception. His research on labor markets, for instance, examines the economic, political, social, and ideological factors that shape the way Americans work. He also has written a number of papers that explore where there is consensus among economic historians and where there is significant disagreement.

Whaples has received two major awards from the Economic History Association. In 1990, he was awarded the Allen Nevins Prize, given annually to the best doctoral dissertation in the field of American and Canadian economic history, for his work on the shortening of the workweek. And in 1999, he won the Jonathan Hughes Prize for Excellence in Teaching Economic History. In addition, Whaples is director of EH.Net, which provides extensive online resources for economic historians and students.

Aaron Steelman interviewed Whaples on the Wake Forest campus on May 23, 2005.

RF: I want to ask a few questions about your 1995 article in the *Journal of Economic History*, "Where Is There Consensus Among American Economic Historians? The Results of a Survey on Forty Propositions." In some areas, there is general agreement among the professional economists and the professional historians polled, while on others there is a pretty sharp division. Were you surprised by this?

Whaples: I was not surprised by the differences that I found. I was more surprised by how much agreement there was between the two disciplines. I spent the first few years of my career teaching in a history department, and I found that many historians have little understanding of or appreciation for how markets work. This is in contrast to economists. Even those economists who are inclined to believe that the government has an important role to play in the economy still tend to think that people are rational actors and that markets are generally efficient. So I thought that the divergence between economic historians who were trained principally as historians and those who were trained principally as economists would be larger than they were.



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RF: More than half of the economists polled disagreed with the proposition that “monetary forces were the primary cause of the Great Depression.” Why do you think there is a probable disconnect on this issue between economists who specialize in monetary issues — most of whom would likely answer that question in the affirmative — and economic historians?

Whaples: My sense is that economic historians are likely to have done more extensive reading about that time period and the very complex nature of the phenomenon. They wouldn't deny that monetary forces were very important, but they are likely to consider all of these other things that were going on. So it may largely be a semantic issue, with the economic historians less likely to describe *anything* as the “primary cause” of the Great Depression, because they attribute it to a constellation of events.

RF: Staying on the topic of the Great Depression, the economists polled were significantly more likely than the historians to agree that the “New Deal served to lengthen and deepen” the economic problems of the late 1920s and the 1930s. What is your view on this question?

Whaples: First, I should say that it is a very provocative question, and it elicited an interesting response. The finding was almost an even split among the economists polled. Forty-nine percent either agreed, or agreed with provisos, that the New Deal “served to lengthen and deepen the Great Depression,” while 51 percent disagreed. So there's a large share of economists who think that the New Deal wasn't such a good deal.

Why? There are some New Deal programs that many economic historians see as major blunders. At the top of the list is the National Industrial Recovery Act, which cartelized the economy just as it was getting off the ground, leading to lower output, consumption, and employment. If you look at the quarter-by-quarter estimates — they're not perfect, but they do shed some light on this time — by 1933 the economy was starting to come back pretty rapidly. Then the NIRA was passed, and by the last quarter of 1933, the economy started to go down.

There are other programs that many economic historians look at critically. They may have had some desirable effects, but probably slowed down the recovery. One is the Wagner Act, which led to the sit-down strikes and labor unrest. Another is the Social Security Act, which increased the tax burden when many people believed that a fiscal stimulus was needed. By 1937 the economy really slowed down again, leading to what has been called the “Roosevelt recession.” So many economic historians believe that there were a number of missteps taken during the New Deal, and I would tend to agree.

RF: Following the Civil War, it took a significant amount of time for the Southern economy to converge to Northern levels. There have been several ideas offered to explain why that was the case. Which explanation, or combination of explanations, do you find most convincing?

Whaples: At the time the Civil War began, the South was not behind the rest of the country economically, but afterward, living standards were well below those in the North. The question is: Why? Many parts of the South were decimated by the war, and the

destruction of capital certainly played a role. But this does not explain why things took so long to turn around. The abolition of slavery was certainly important. Freed slaves decided to work less and consume more leisure. Also, the price of cotton was near an all-time high before the war but then declined for most of the rest of the century. So that hurt the South's economy and is part of the story.

My favorite interpretation of what happened following the Civil War, and I think it's probably the profession's favorite interpretation, is pretty akin to what Gavin Wright has argued in *Old South, New South*. It emphasizes the lack of integration, especially in the labor market and also in the capital market.

Labor really did not come out of the South, mainly for cultural reasons and perhaps for some economic reasons. Capital was less willing to come into the South, partly because at this time you often needed to have the managers migrating with the capital, and many were unwilling to do so. One reason was climatic: This was before the invention of air-conditioning. Another was cultural: We just don't like the way they do things down here and we're not really well accepted. I have stated the story in pretty crude terms, but that's the flavor of the argument, and I think it's pretty persuasive.

RF: But wouldn't we expect capital to flow to where the returns are the highest, even if there are some cultural institutions in the South that Northern investors find unappealing?

Whaples: I think that there are clearly some examples of this. If the return on capital was high enough, it did move to the South. Take the region around Birmingham, Ala., for instance. There were some very good iron deposits around that area, which made it a natural place for steel production. The textile industry moved to the Carolinas, largely from New England, New York, and New Jersey. But in marginal cases, where the returns were likely to be similar to those in the North, capital didn't tend to flow south.

Also, I would like to make a more general point about the economy of the post-bellum South. There are some very important regional differences. Prior to the Civil War, the

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poorest part of the South is where we are today: North Carolina. And the richest parts were the cotton areas near the Mississippi Delta. Now, that situation is essentially reversed.

RF: Nearly everyone you polled disagreed with the proposition that “the slave system was economically moribund on the eve of the Civil War.” Had the South been permitted to secede in 1861, how long do you think slavery would have remained economically viable?

Whaples: This is pretty interesting. The belief that slavery was on its way out prior to the Civil War was widely respected and accepted for a long time — from the end of the Civil War until the 1950s or so. But since then, more rigorous models have shown that the returns that slaveowners received were pretty large. So if you are looking at it purely from an economic standpoint, it’s hard to say that the system was moribund.

How long would slavery have lasted had the Civil War not occurred? I began to think about that, and all you really need is a system in which the marginal revenue product of labor is high enough to cover the maintenance cost. A slaveowner would have approached this question in the same way that he would have considered the issue of using mules and horses following the invention of the automobile. When the automobile and tractor came along, using draft animals was no longer economically viable, and so many owners just let those animals go. That’s a system that is moribund.

Would that have happened in the human system? I don’t think so. Human beings are so much more flexible and adaptable that slaves could have been put to many other uses once the cotton industry had become mechanized and people were no longer needed in large numbers. In fact, we know that before the Civil War there was a lot of industrial slavery. Slaves were moved from farms to factories as the latter became more profitable. I think that would have continued to be the case, with slaves being used in a variety of agricultural, industrial, and even service-sector jobs.

So, economically, I think slavery could have remained viable for a very long time after the Civil War. What would have probably undermined the system was the reduced cost of transportation and communication. As it became cheaper and easier to escape from bondage, the costs of monitoring slaves probably would have become prohibitively large.

RF: You have done a lot of work on labor issues, specifically questions having to do with the length of the workweek. When did the eight-hour day become the



norm in the United States? And what were the principal causes of this change?

Whaples: The best documentation we have about the length of the workweek comes from the manufacturing sector. In the mid-19th century, the workweeks were very long. But then they came down fairly rapidly. By the end of World War I, we effectively had the eight-hour day. It wasn’t quite in the form that we recognize today, because the workweek was generally six days. That stayed the norm until the Great Depression, when a lot of Saturday work ended. Work schedules became considerably longer

during World War II. But in the main, the typical workweek has been five eight-hour days since the 1930s. So it did come sooner than many people think, and it did predate the Fair Labor Standards Act, which gave us the overtime law in 1938.

My research on this topic strongly suggests that the cause of the shorter workweek was economic growth, which led to higher real wages. But I think we have to put that answer into the context of the time in which it occurred, because we have had substantial growth in real wages since then, yet we haven’t seen the length of the workweek go down even more.

So what was occurring during the late 1800s and early 1900s? I think it had to do with the marginal utility of an extra hour of leisure being incredibly high during that period. Many people were doing pretty onerous work. There were many mind-numbing routine jobs and many jobs that required back-breaking physical labor. But we don’t have a great number of those jobs in our economy any longer. In fact, a lot of us have jobs where the distinction between work and leisure gets a little fuzzy. Well, it wasn’t fuzzy back then, and boy, did they want those extra hours off to relax, spend time with their families, and hang out with the guys. So as wages got higher, they bought more of this leisure time. Any other economic factor is so secondary to this that I don’t even think it’s worth mentioning.

Also, I think it’s worth mentioning that although the workweek hasn’t gotten shorter in recent years — in fact, for more educated and skilled workers there is some evidence that it has gotten longer — the total share of a person’s life spent working for pay has continued to fall. People enter the labor force at later ages, they retire earlier, and they live longer. All of these things have contributed to more leisure consumption.

RF: Why do you think that the South has traditionally had a smaller share of its labor market unionized than the North?

Whaples: Whenever I teach labor economics, I pull out data on unionization rates from the Bureau of Labor Statistics. And it's always a battle between North Carolina and South Carolina for who has the lowest share.

Unionization rates have always been lower in the South than in the rest of the country. One explanation is the nature of the region's economy: Agriculture has traditionally been more important to the South, and that sector typically has pretty low unionization rates. Going beyond that, I think there are some important cultural factors. When unions are really strong, there is a sense among workers that it's us versus them, labor versus management. In the North, the workers were often a group of immigrants, while the management was often the native-born, better-educated elite. In the South, there was much less of that. The division was black versus white, and culturally the white workers identified with management. So there was much less of an us-versus-them mentality. That, I think, has a lot to do with the relative weakness of labor unions in the South.

RF: You have co-edited a book titled *Public Choice Interpretations of Economic History*. What insights can public choice bring to bear on economic history?

Whaples: I think the best way to answer that question may be to discuss my favorite chapter from that book. Werner Troesken of the University of Pittsburgh looks at the passage of the Sherman Antitrust Act. He analyzes what happened to the stock prices of the big trusts at the time. What he shows, pretty convincingly, is that the value of those companies' stocks were rising as it became more and more certain that the Sherman Antitrust Act was going to be passed. So the markets clearly thought that the law was going to be good for the very companies whose power, ostensibly, it was designed to curb. That might seem pretty counterintuitive to many, but it's an interpretation that a public-choice economist would find pretty intuitive.

RF: Please tell our readers a little bit about EH.Net and your role in it.

Whaples: EH.Net grew out of the Cliometric Society. It started as an online discussion group among members of the Society in 1994, in the early days of the Internet. We found that this was useful, but we wanted to make it more permanent. And we thought that the way to do that was to make it an independent organization, and one that offered a lot more than a simple online discussion forum. So we held a

meeting in 1996, where we chartered ourselves as a new organization, with Samuel Williamson of Miami University as the director and myself as the associate director. Our division of labor was the following: Sam was the fund-raiser and principal organizer, and I focused on adding content to the Web site.

There are several things that we offer. Perhaps the most important is our "How Much Is That?" feature, which allows people to obtain historical data on inflation rates, exchange rates, economic output, the cost of labor, purchasing power, and a number of other data series. We also have an encyclopedia that is aimed at students and lay readers. The entries discuss the big issues in economic history — slavery, the Civil War, and the Great Depression, for instance — as well as more offbeat topics like prohibition and Major League Baseball.

There are about 100 articles in the encyclopedia, and the idea is to get the research that is published in the professional journals out there to the public. So much of it is holed up in academic libraries, when we think there is a much

broader audience for it. The other big thing we have is a book review section. We now have reviewed about 1,000 books over the years. Most of them have come through my office, and we try to be comprehensive in our coverage. We aim to review everything that is published in the core areas of economic history, and many books that are in more peripheral areas.

As for the organization, in 2003 the Economic History Association became the owner of EH.Net. Also, I became the director that year, though Sam Williamson is still quite active. And I'm proud to say that my son, Thomas, who is a student at Wake Forest, is EH.Net's webmaster.

RF: Which economists have influenced you the most?

Whaples: Probably the economist who has influenced me the most is Gary Becker. By applying the assumption that individuals are rational and utility-maximizing to areas once thought beyond the scope of economics, he has helped us better understand so many facets of life. Among economic historians, Robert Fogel is probably the most influential. His relentless quantification, his willingness to be so interdisciplinary in his work, and his extreme optimism are things that I find extremely admirable. Closer to home, the people on my dissertation committee — Claudia Goldin, Robert Margo, and Paul Taubman — have been very important to me. Also, I should note Gavin Wright and Joel Mokyr. When I read them, I learn more about how to be an economic historian.

RF

Robert Whaples

► Present Position

Professor of Economics, Wake Forest University, and Director of EH.Net

► Previous Faculty Appointments

Department of History, University of Wisconsin-Milwaukee (1988-1991)

► Education

B.A., University of Maryland (1983); Ph.D., University of Pennsylvania (1990)

► Selected Publications

Author of several articles in the *Journal of Economic History* and other academic journals, and co-editor of two books, *Historical Perspectives on the American Economy* (1995) and *Public Choice Interpretations of American Economic History* (1999)